

CHARTING YOUR COURSE



THE STATE OF MAINE DEFERRED COMPENSATION PLAN NEWSLETTER

August 2004

Rising with the Tide. Dollar cost averaging is one investment method that can work to your advantage when you save in a plan like the State of Maine's Deferred Compensation Plan. Read on to learn more about this investment concept and how it can help you save for your retirement.

WHAT'S IN THIS ISSUE

Dollar
Cost
Averaging



Investment
Fund Details



DOLLAR COST AVERAGING: MAKING IT WORK FOR YOU

Dollar cost averaging is an investment strategy that can help protect investors against volatility. How does it work? You invest a fixed amount of money at regular intervals — for example, \$25 on the first day of every month. When you invest in this manner, you buy more shares when the price is low and fewer shares when the price is high. This strategy is considered effective if you believe the underlying stock price will rise over a long period of time. While this strategy is considered a disciplined approach, no strategy can guarantee you a profit and protect you from a loss.

With dollar cost averaging, you don't have to try to "time" the market — that is, try to buy when share prices are low and sell when they are high. Since you are investing the same amount regardless of whether the market is on an upswing or experiencing a decline in value, you don't have to worry about whether you are investing at the "right" time. And, as any financial expert will tell you, timing the market is very difficult to do effectively, even for experienced, professional investors.

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FUND CHANGES will occur in the fall. If you have an existing account balance in any of the eliminated funds, it will be transferred according to the chart at the right. Contribution elections will also be transferred as shown.

For more information about these changes, please contact your financial services organization directly.

*The Hartford will offer a new fund: SSgA EAFE Index.

*These are new funds that are being added to the fund lineup.

This Investment Option Will be Closed and...	Replaced by this Investment Option
The Hartford*	
Hartford Index HLS	SSgA S&P 500 Index*
Hartford Stock HLS	Hartford Capital Appreciation HLS
Invesco Technology	Hartford Global Tech*
Janus Twenty	American Funds Growth Fund of America*
MFS Mass Inv. Growth A	American Funds Growth Fund of America*
ING Financial Advisers, LLC	
Janus Aspen Balance	ING Balanced
ING Index + Large Cap	ING Stock Index*
Janus Aspen Growth	ING T. Rowe Price Growth Equity*
ING Small Company	Oppenheimer Main Street*
AIG VALIC	
MFS Mass Inv. Growth A	Oppenheimer Capital Appreciation A

INVESTMENT FUND DETAILS

IMPORTANT NOTE: The information presented here is not intended as investment advice. Its purpose is to help you understand the investment options available through the State of Maine Deferred Compensation Plan. Your financial strategy and investment choices are entirely your own and should reflect your personal needs and circumstances. State of Maine personnel, by federal law, cannot provide investment advice. For more information, you may want to consult with a professional financial advisor. The investment information shown is current as of June 30, 2004.

Results are historical and not intended to portray future performance. Current performance may be less than figures shown.

Please note that investment benchmarks (shown in the blue bars) may differ from the benchmarks provided in the funds' prospectuses.

THE HARTFORD								
		Return on Investments (net of expenses)				Operating Expenses		
		Rates of Return as of June 30, 2004						
Level of Risk	Investment Options	Quarter to Date	Year to Date	Annualized		Management Fees	Other Expenses	Total Expenses
				3 Years	5 Years			
Low	Hartford Life Fixed Account	*	*	*	*	—	—	—
	Hartford Bond HLS	-2.34%	-0.20%	7.17%	7.28%	0.50%	0.45%	0.95%
	Lehman Aggregate Index	-2.44	0.15	6.36	6.95			
Medium	Hartford Advisers HLS	0.51	0.78	0.00	-0.52	0.67	0.75	1.42
	Janus Balanced	0.01	1.83	1.55	1.65	0.89	0.75	1.64
	50/50 S&P 500/ LB Agg	-0.37	1.80	3.22	2.69			
	Hartford Dividend & Growth HLS	1.57	2.32	2.06	2.38	0.69	0.75	1.44
	Russell 1000 Value Index	0.88	3.94	2.96	1.87			
High	Hartford Index HLS	1.39	2.80	-1.89	-3.37	0.44	0.75	1.19
	Hartford Stock HLS	2.00	1.34	-3.19	-4.10	0.49	0.75	1.24
	Hartford Capital Appreciation HLS	2.24	7.59	3.45	8.02	0.69	0.75	1.44
	S&P 500 Index	1.72	3.44	-0.69	-2.20			
	Invesco Technology	-0.39	-1.06	-16.16	-11.02	1.77	0.75	2.52
	S&P Technology Index	2.85	0.24	-6.33	-10.41			
	Janus Twenty	3.42	8.94	-3.62	-7.65	0.88	0.75	1.63
	MFS Mass Inv. Growth A	1.30	2.27	-7.36	-5.61	0.95	0.75	1.70
	Russell 1000 Growth Index	1.94	2.74	-3.74	-6.48			
	Lord Abbett Mid Cap Value	2.39	8.88	7.99	13.18	1.27	0.75	2.02
	Russell Mid Cap Value Index	1.73	7.17	9.83	8.62			
	Hartford Mid Cap HLS	0.76	3.36	5.86	11.78	0.72	0.75	1.47
	Russell Mid Cap Growth Index	1.05	5.94	0.23	0.49			
	Franklin Small-Mid Cap Growth	1.88	3.98	-2.62	3.16	1.06	0.75	1.81
	Russell 2500 Growth Index	0.13	5.65	0.21	1.98			
	Calvert New Vision Small Cap A	-0.19	5.65	3.80	9.22	1.77	0.75	2.52
	Russell 2000 Index	0.47	6.76	6.24	6.63			
	American Century International Growth	-2.35	2.14	-2.90	-0.91	1.28	0.75	2.03
	MSCI-EAFE Index	0.44	4.86	4.25	0.40			
	Franklin Mutual Discovery A	-0.14	3.63	4.69	8.18	1.46	0.75	2.21
	MSCI-World Index	1.04	3.79	1.32	-1.31			

* Fixed Accounts provide a specified rate of return. For current rates, along with an explanation of how they are determined, contact your financial services organization.



ING FINANCIAL ADVISERS, LLC								
		Return on Investments (net of expenses)				Operating Expenses		
		Rates of Return as of June 30, 2004						
Level of Risk	Investment Options	Quarter to Date	Year to Date	Annualized		Management Fees	Other Expenses	Total Expenses
				3 Years	5 Years			
Low	ING Fixed Account	*	*	*	*	—	—	—
	ING Bond	-2.26%	0.12%	5.98%	6.18%	0.50%	0.51%	1.01%
	Lehman Aggregate Index	-2.44	0.15	6.36	6.95			
Medium	Janus Aspen Balanced	-0.09	1.51	1.61	1.99	0.67	0.75	1.42
	50/50 S&P 500/ LB Agg	-0.38	1.80	3.22	2.69			
	ING Balanced	-0.50	1.94	1.77	1.31	0.60	0.75	1.35
	Calvert Social Inv. Balanced	0.09	2.18	0.31	-0.07	0.93	0.75	1.68
	60/40 S&P 500/ LB Agg	0.04	2.13	2.50	1.76			
	Fidelity VIP Equity Income	1.45	3.10	1.65	0.96	0.57	0.75	1.32
	Russell 3000 Value Index	0.88	4.23	3.63	2.62			
High	ING Van Kampen Comstock	1.27	4.23	N/A	N/A	0.88	0.75	1.63
	ING Index + Large Cap	1.34	2.72	-2.16	-3.15	0.43	0.75	1.18
	S&P 500 Index	1.71	3.44	-0.69	-2.20			
	ING Growth	0.37	0.97	-6.94	-7.16	0.71	0.75	1.46
	Janus Aspen Growth	4.24	1.88	-6.25	-5.42	0.67	0.75	1.42
	Fidelity VIP Growth	-0.03	1.10	-5.66	-4.39	0.67	0.75	1.42
	Russell 1000 Growth Index	1.94	2.74	-3.74	-6.48			
	ING Index + Mid Cap	1.70	6.44	6.27	9.34	0.50	0.75	1.25
	S&P 400 Index	0.97	6.08	6.58	9.05			
	ING Alger Aggressive Growth	0.85	5.15	N/A	N/A	1.05	0.75	1.80
	Russell Mid Cap Growth Index	1.05	5.94	0.23	0.49			
	ING Baron Small Cap Growth	1.78	9.73	N/A	N/A	1.20	0.75	1.95
	Russell 2000 Growth Index	0.09	5.68	-0.22	-0.45			
	ING Small Company	-3.04	2.48	1.52	6.82	0.85	0.75	1.60
	Russell 2000 Index	0.47	6.76	6.24	6.63			
	ING International Value	-1.98	2.37	1.08	4.35	1.00	0.75	1.75
	MSCI-EAFE Index	0.44	4.86	4.25	0.40			
	Oppenheimer Global Securities	-1.19	2.95	2.60	7.37	0.67	0.75	1.42
	MSCI-World Index	1.04	3.79	1.32	-1.31			

AIG VALIC**								
		Return on Investments (net of expenses)				Operating Expenses***		
		Rates of Return as of June 30, 2004						
Level of Risk	Investment Options	Quarter to Date	Year to Date	Annualized		Management Fees	Other Expenses	Total Expenses
				3 Years	5 Years			
Low	VALIC Fixed-Interest Account	*	*	*	*	—	—	—
	Vanguard Long Term Bond Index	-5.36%	-0.63%	7.69%	7.82%	0.20%	0.42%	0.62%
	Lehman LT Gov./Credit Index	-5.27	-0.46	8.35	8.17			
	Vanguard Intermediate-Term Corporate Bond	-3.32	-0.40	6.61	6.94	0.20	0.42	0.62
	Lehman Credit Index	-3.42	-0.26	7.53	7.54			
Medium	Munder Balanced A	-1.05	2.83	1.96	5.71	1.57	0.42	1.99
	American Funds American Balanced A	0.48	2.86	6.14	6.72	0.67	0.42	1.09
	60/40 S&P 500/ LB Agg	0.04	2.13	2.50	1.76			
	American Funds Investment Co. of America A	0.49	1.87	1.76	2.12	0.59	0.42	1.01
	MFS Value A	1.52	3.22	2.12	5.00	1.20	0.42	1.62
	Russell 1000 Value Index	0.88	3.94	2.96	1.87			
High	Pioneer A	1.45	1.83	-1.98	-1.56	1.09	0.42	1.51
	Dreyfus S&P 500 Index	1.51	2.99	-1.60	-3.12	0.52	0.42	0.94
	Calvert Social Inv. Equity	2.02	1.08	1.36	4.32	1.29	0.42	1.71
	S&P 500 Index	1.72	3.44	-0.69	-2.20			
	Oppenheimer Capital Appreciation A	1.18	1.93	-4.09	0.13	1.17	0.42	1.59
	MFS Mass Inv. Growth A	1.38	2.43	-7.07	-5.31	0.95	0.42	1.37
	Russell 1000 Growth Index	1.94	2.74	-3.74	-6.48			
	T. Rowe Price Science & Technology	2.63	-0.21	-10.49	-12.17	1.09	0.42	1.51
	S&P Technology Index	2.85	0.24	-6.33	-10.41			
	Turner Mid Cap Growth	-0.33	2.79	-4.53	1.41	1.15	0.42	1.57
	Russell Mid Cap Growth Index	1.05	5.94	0.23	0.49			
	Neuberger Berman Genesis Trust	4.42	9.69	12.43	15.51	1.12	0.42	1.54
	Russell 2000 Value Index	0.85	7.83	12.16	12.82			
	American Funds EuroPacific R3	-2.05	4.40	3.43	2.70	1.29	0.42	1.71
	MSCI-EAFE Index	0.44	4.86	4.25	0.40			
	Oppenheimer Global A	-1.17	2.99	2.76	7.44	1.23	0.42	1.65
	MSCI-World Index	1.04	3.79	1.32	-1.31			

** Name has been changed from VALIC Retirement Services Company.

*** Administrative fees have been reduced from 42 to 35 basis points effective July 1, 2004.

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As a participant in the State's Deferred Compensation Plan, you automatically use dollar cost averaging. Each pay period, you invest a fixed amount of money in the investment options you have chosen through the Plan.

To better understand how this investment method can benefit you, let's look at two examples. In the first example, you don't use dollar cost averaging. Instead, you purchase 100 shares on the 15th day of every month for 12 months. At the end of the year, you will have purchased 1,200 shares at an average price per share of \$4 for a total investment of \$4,800, as shown in the column titled "Without Dollar Cost Averaging."

Date	Price/Share	Without Dollar Cost Averaging		With Dollar Cost Averaging	
		Shares Purchased	Cost	Shares Purchased	Cost
January 15	\$2	100	\$200	200	\$400
February 15	4	100	400	100	400
March 15	3	100	300	133	400
April 15	5	100	500	80	400
May 15	4	100	400	100	400
June 15	3	100	300	133	400
July 15	5	100	500	80	400
August 15	7	100	700	57	400
September 15	5	100	500	80	400
October 15	2	100	200	200	400
November 15	5	100	500	80	400
December 15	3	100	300	133	400
Total		1,200	\$4,800	1,377*	\$4,800
Average Price Per Share			\$4.00		\$3.49

*Shares have been rounded.

Now, let's look at what happens if you invest a fixed amount of money over the same period of time using dollar cost averaging. If you invest the same amount of money over 12 months, you would invest \$400 per month (that is, \$4,800 divided by 12). Using dollar cost averaging, the average price per share you would pay is \$3.49. For the same \$4,800 per year, you purchased 177 more shares!

As you can see from this example, by contributing a set amount each month, you are actually using price fluctuations to your advantage. If share prices increase, the value of your investment increases, as well. If share prices decline, you simply buy more shares at a lower price. In addition, dollar cost averaging eliminates subjective decisions about when is the "best" time to buy a particular stock or other investment vehicle.

KEEP IN MIND that, in general, the maximum annual contribution limit for 2004 is \$13,000, so you may want to consider increasing your Plan contributions at this time.

Dollar cost averaging should not be viewed as the investment strategy that will necessarily maximize returns. Instead it should be viewed as a disciplined approach to investing, and an effective way to build long-term savings. By contributing to the State of Maine's Deferred Compensation Plan, you are automatically taking advantage of this investment approach.

If you have any questions about the information in this newsletter, please contact your financial services organization representative or the State's Office of Employee Health and Benefits at 207-287-6780 inside Maine or 1-800-422-4503 outside Maine.

The Hartford

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